3 ITT Directors Barred by Court

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A federal judge in Philadelphia has ruled that three directors of the International Telephone and Telegraph Corp. may not stand for re-election at the corporation's annual meeting today, because ITT failed to tell its stockholders that the three are under investigation by the Securities and Exchange Commission.

The 17 other directors of the conglomerate are expected to be re-elected during the meeting at the Sheraton-Peabody Hotel in Memphis, however.

The session is the first of the company's stockholders since its name figured prominently in the two-month-long Senate Judiciary Committee hearings on the nomination of Richard G. Kleindienst as Attorney General.

In addition to the partial election of directors, ITT president Harold S. Geneen and other corporate officials are expected to face tough questioning from dissident stockholders on whether the settlement of antitrust cases against the company was connected to its financial pledge to try to bring the Republican National Convention to San Diego this year.

Also on the agenda are "action on a stockholder proposal with respect to a report on Southeast Asia military projects" and "action on a stockholder proposal with respect to establishing a committee to make recommendations regarding conversion to civilian business."

The disqualification of the three directors — R. Newton Laughlin, Hart Perry and Harry V. Williams — was ordered by U. S. District Court Judge A. Leon Higginbotham Jr. in Philadelphia.

He was ruling on a lawsuit filed against ITT by John W. Rafal, a Temple University law student who sought to block the holding of the annual meeting altogether.

Higginbotham said that proxy material mailed to shareholders on March 24 should have revealed the fact that the three directors and Howard J. Aibel, ITT senior vice president and general counsel, are under investigation by the SEC for alleged "insider trading" at the time of the antitrust settlement.

They are suspected of trying to use their inside knowledge of the impending settlement to take profits before the ITT stock price fell.

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An ITT spokesman said in Memphis yesterday that the company would appeal Higginbotham's ruling to the Third U.S. Circuit Court of Appeals, because it feels the proxy statement complied with SEC regulations.

In the meantime, the spokesman said, ITT will proceed with election of 17 directors and hold a special election for three more later.